EAST-WEST INVESTMENT NEWS

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Foreign investment committed in Romania reaches record high of US$ 1,227.3 million

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ABBREVIATIONS

AZM	Azeri manat
BGL	Bulgarian leva
CIS	Commonwealth of Independent States
CMEA	Council for Mutual Economic Assistance
EBRD	European Bank for Reconstruction and Development
FDI	Foreign direct investment
FDIE	Foreign direct investment enterprise
FI	Foreign investment
FIE	Foreign investment enterprise
NIS	Newly Independent States
R	Russian Federation rouble
SMEs	Small- and medium-sized enterprises
TE	Transition economy
US	United States (used as an adjective)
US$	US dollar
VAT	Value-added tax

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REVIEW OF RECENT LEGISLATION

Kazakhstan

New foreign investment law

On 30 December 1994 the President of Kazakhstan signed a new law on foreign investment. The previous FDI legislation, dated 17 January 1991, was one of the first FDI laws adopted among the States of the former Soviet Union. Many of its provisions were amended during the subsequent years and the new version differs significantly from the 1991 legislation.

The law declares that foreign capital may be invested in any object or activity which is not forbidden by Kazakh law. No reference is made to the possibility or ways in which foreigners and/or companies with foreign participation may own or use land. The reason for this omission was most likely due to a lack of consensus in both the Government and in the former Parliament over the direction of land reform, including the question of land sales. It should be noted that the Presidential decree of April 1994 allowed for the sale of the right to own land-use privileges, although all land was declared to remain under State ownership. Joint ventures were also granted the possibility of acquiring land property rights under certain conditions. It is expected that the Government will clarify shortly its position on this subject, which constitutes one of the principal pre-conditions for foreign capital inflow into the country.

The law also states that the investment regulations applying to foreign investors may not be less favourable than those set up for Kazakh physical and legal persons. Such provisions do not apply to concessions granted to foreign investors under international agreements and/or conventions concluded with other States, or to regulations on foreign investors' participation in privatization, which are governed by special legal acts.

Protection of foreign investment

Foreign investment may not be nationalized, expropriated or subjected to any other measure of similar effect, except in cases when such action is dictated by the public interest and under due process of law, without discrimination and with payment of a prompt, adequate and effective compensation. Such compensation shall be paid either in the currency in which the investment was made, or in another currency, as agreed with the investor. Compensation shall also include an interest payment, based on the rate fixed for long-term investments by the National Bank, covering the period from the date of the expropriation to the date of the compensation payment.

In cases where foreign investors may suffer loss due to war, armed conflict, revolution, state of national emergency, or similar situations, or due to the unlawful actions of representatives of government bodies, foreign investors shall not receive treatment less favourable than that extended to local investors.

Guarantees

The law allows the State to issue guarantees under contracts concluded by Kazakh legal entities with foreign investors or companies with foreign participation. At the same time, the Government and State bodies may enter into direct agreements with foreign investors or companies with foreign participation only if Kazakh legislation permits them to do so.

If the Government approves an agreement signed between a Kazakh legal entity and a foreign investor, but does not grant any guarantee under such an accord, its responsibility is limited only to cases arising from non-fulfillment of administrative actions aimed at providing necessary conditions for the functioning of a company with foreign participation (e.g. issue of a license, provision of a land plot for construction, etc.).

Another important provision of the new law is the guarantee of the stability of FDI legislation. If subsequently enacted FDI legislation provides less favourable conditions for foreign investors, the current legislation shall remain in force for a period of 10 years. In the case of investments made under long-term agreements (with a duration exceeding 10 years) concluded with the authorized State bodies, this guarantee is extended until the expiration of such accords.

The principle of the stability of legislation does not apply to changes dictated by national interests in the areas of defence, national security, environment, and public health and morale. Should such changes result in less favourable investment conditions the foreign investors would receive prompt and adequate compensation.

Repatriation of profits

The new law confirmed foreign investors' right to transfer profits, compensation sums and proceeds of the sale of their property or liquidation of all or a part of their capital investments to the country of their choice, after paying taxes due.

The law also allows foreign investors to use foreign currency when paying their partners and foreign and local employees. It should be noted that in some countries (e.g. Russia) foreign investors are obliged to remunerate their staff using the local currency.

Establishing companies with foreign participation

A company with foreign participation may be founded as a joint stock company, a partnership or any other legal form which does not contradict Kazakh law. The registration procedures for local companies and those with foreign capital are currently identical. Future legislation may, however, alter the procedures for one or the other according to need.

The statutory fund of an enterprise with foreign participation may be composed of contributions in the form of buildings, equipment, land-use rights, natural resources and other property rights, including intellectual property rights.

An appraisal of each partner's contribution to and share of a company's funds is to be made by the mutual agreement of each partner, either in local currency or in a foreign currency, on the basis of world market prices and at the National Bank's exchange rate on the date of the company's registration. The appraisal of contributions to the statutory fund is to be the subject of an independent audit.

The law also states that one year after registration, such enterprises must submit documents proving that 100 percent of each partner's contributions (as provided by the founding documents) were paid or contributed in some other way. Failure to meet this requirement may constitute grounds for rescinding the enterprise's registration.

If a foreign investor buy shares in a Kazakh legal entity, the said entity must be re-registered as a company with foreign participation.

In accordance with the new regulations on State registration companies with foreign participation are to submit the documents listed below (in addition to those presented by local enterprises).

a. For foreign physical persons:
   - confirmation of the individual's solvency from a bank of the place of his/her citizenship or permanent residence;
   - a copy of the person's passport or some other identification document;

b. For foreign legal entities:
   - confirmation from a bank of the entity's solvency;
   - confirmation from the entity's country of its parent company's legal status.

All documents must be accompanied by a notary certified translation of the text in Kazakh and Russian.

Before undertaking entrepreneurial activities, all legal entities must first receive either a general or a special license. General licenses cover those activities which are subject to licensing for all companies in Kazakhstan irrespective of their legal or property status; special licenses are necessary only for the operation of companies with foreign participation in activities for which a general license is not required. Such activities will be specified in the texts of future legal acts.

The law does not contain specific provisions on incentives and concessions for foreign investors; it simply states that foreign investors may be offered additional incentives with respect to investments in priority social and economic areas. No such areas are identified, however, in the text of the law.

At the same time, material contributions to the statutory capital of a company with foreign participation may be imported into Kazakhstan duty free. The same conditions apply for the personal property of foreign citizens employed by the company. The above-mentioned assets are not subject to export duties in the eventuality of repatriation.

* * *

In assessing the new legislation, it should be noted that this law will offer foreign investors wider and more clear guarantees against nationalization, expropriation, possible changes in FDI legislation, and unlawful acts of government bodies or their representatives. For example, the 1991 FDI law referred to the State's responsibility to compensate investors for losses caused by the nationalization of their property under extraordinary circumstances. The new version goes farther by mandating prompt, adequate and effective interest-bearing compensation for such losses. It also provides for the possibility of international arbitration should investment disputes arise. At the same time, the new law brings the treatment of foreign investors closer to the nation regime, particularly in the area of taxation.

Many of the new law's provisions are of a very general nature and often refer to other legal acts which the Government has yet to adopt. The declarative character of certain important provisions of this law makes it easier for the Government to change FDI regulations if necessary without having to pass through Parliament each time. On the other hand, it means that the actual regulations for foreign investors will depend on the practical implementation of the law through the decisions of governmental bodies.

It is expected that in the forthcoming months a number of new legal acts will be adopted. Due to the resignation of the Parliament at the beginning of March 1995, the President has at present the option of ruling by decree. This situation could significantly accelerate the passage of new regulations, which are usually blocked for several months by Parliamentary discussions.

According to information from Government sources, legal acts on taxation, bankruptcy procedures, land reform, and other issues are being prepared for submission for the President's approval.

Russian Federation

Ambiguity of tax concessions for foreign investors

In March 1995 a number of legal acts concerning tax benefits and other financial privileges were adopted. Among these acts, a Presidential Decree cancelled all tax and duty concessions previously granted to all companies, both foreign and domestic, and declared that in the future such privileges may only be granted by the head of State. For its part, the Parliament passed a law on foreign trade concessions abolishing all exemptions regarding the payment of customs duties, VAT and excise duties previously granted under government ordinance and Presidential Decree. In the past, the numerous privileges received by companies created confusion for customs and finance authorities and resulted in a considerable loss of revenue for the federal budget. In the meantime, the new regulations have caused many foreign investors to question whether all customs concessions have been revoked.

It may be recalled that under previously adopted rules foreign investors were not required to pay duty on their imported contributions to the capital of a company with foreign participation (within the time limit set for the creation of such capital) or on the raw materials and equipment necessary for their manufacturing activities. Special privileges were granted in 1994 to companies with foreign participation engaged in oil extraction and production. These joint ventures could export their oil and oil products tax-free during the period that the company recovered its initial investment. This period, however, had a limited duration of three years.

In principle, the law on customs tariffs provides the possibility of granting customs concessions to foreign investors in a number of circumstances, including contributions to the statutory capital of a joint venture, production-sharing agreements, etc. Some cases, however, such as the import of materials for in-house production, are not mentioned in the text of this law. Significant customs exemptions were also granted to large foreign investors under the Presidential Decree of 25 January 1995.

In light of this most recent round of legislation, the status of many of these concessions is not yet clear. It is expected that customs authorities will soon prepare special instructions to resolve these questions.

Other regulations

In March 1995, the Ministry of Foreign Economic Relations, the Ministry of Economics and the State Customs Committee prepared regulations on the export of textiles, steel products, certain chemicals and non-ferrous metals to EU member States and other countries. Under agreements between the Russian Federation and the countries concerned, the Russian Government committed itself to regulate the delivery of these goods within agreed quotas. The purpose of the new regulations is to control the export of goods which are subject to anti-dumping procedures in the west through a system of special quotas.

The Government also decided that large construction projects that are financed partly by federal or local budgets and partly by foreign capital will be subject to a special screening procedure. The feasibility of such projects will be evaluated by expert groups who in relevant cases will also be entitled to prepare the technical requirements for conducting tenders on such projects. The evaluation of projects valued at US$ 100 million and above will be carried out by the Expert Council under the Government of the Russian Federation and will involve expert groups from the Russian Federation and other countries. Some analysts believe that this procedure will eventually be linked to the granting of financial concessions to large foreign investors.

Bulgaria

Privatization law and State privatization programme

In March 1995, the Bulgarian Council of Ministers approved the privatization programme for the forthcoming year. This programme is based on the Act of Transformation and Privatization of State-Owned and Municipally-Owned Enterprises, implemented on 9 June 1994, which amended the previous Act of 23 April 1992.

According to this Act, the Privatization Agency shall design an annual privatization programme by the end of February each year to be approved by the Council of Ministers. This programme establishes the minimum number of state-owned enterprises subject to privatization, identifies priority and restricted sectors and/or enterprises, and sets general guidelines for municipal privatization policies. It also estimates the expected amount of revenues from privatization and determines how such revenues should be spent.

State- or municipally owned shares may be sold through public offering, public auction of share blocks, publicly invited tenders, negotiations with potential buyers, or an employee buy-out of the company. In addition, the Act stipulates the following privatization methods: a 25 year lease with a buy-out clause, a management contract with a clause allowing for buy-out from or sale to a third party, and, a deferred-payment sale agreement with property maintenance.

The appraisal of enterprises under this Act shall be carried out by independent Bulgarian or foreign experts approved by the Privatization Agency. The Council of Ministers shall establish the procedures and methods for appraisal of the enterprises to be privatized.

It is also stipulated that if the balance sheet value of an enterprise's fixed assets exceeds US$ 1 million (BGL 70 million), then the decision to privatize shall be taken by the Privatization Agency. If the value does not exceed that amount, then the privatization decision is taken by the government body designated by the Council of Ministers.

All natural and legal persons shall be eligible to participate in privatization on equal terms. However, some employees shall be entitled to participate on preferential terms, such as those who were engaged for at least two years prior to the date of the privatization announcement, or those whose labour contracts were terminated according to Labour Code procedures within eight years prior to the date of the privatization announcement. Under this provision, those eligible shall be entitled to purchase up to 20 per cent of State- and municipally owned shares on preferential terms. It is worth noting that the above-mentioned right for preferential participation is restricted to Bulgarian citizens or permanent residents in the country.

Privatization revenues shall be placed in a special extrabudgetary account under the administration of the Minister of Finance. More than 70 per cent of these resources shall be distributed to the State Fund for Reconstruction and Development, with the rest being used to replenish the fund covering privatization expenses, the National Fund for Environmental Protection, and the Development of Agriculture Assistance Fund.

So far, privatization in Bulgaria has not proceeded as fast as in some other central European countries. Although the Privatization Act provides a necessary basis for privatization in Bulgaria, the practical implementation of many of its provisions depends on the Privatization Agency's instructions. The Agency's instructions are in turn monitored by the Council of Ministers, which has final responsibility for defining the actual privatization regime. Furthermore, as the Act makes no special

reference to foreign participation in privatization, legislation clarifying foreign involvement may be required in the future.

Moldova

Recent developments in trade and privatization

A new import tariff was introduced on 1 January 1995 which significantly reduces customs duties. As a result, in most cases, the highest import duty rates were lowered to 50 per cent of their previous level, and the Government committed itself to further reductions of customs tariffs on imported goods by the end of 1995.

The reduction of import duties will be made in three stages: upon the introduction of the new tariff in January 1995, on 1 April 1995, and on 1 December 1995. In April, the maximum rate was lowered to 30 per cent of its previous value, and by year end it should not be more than 15-20 per cent. In the case of wines, spirits, cigarettes and other goods, there could be a two- to three-fold reduction in tariffs.

In order to create equal opportunities for local and imported luxury goods, the Government is considering the possibility of reducing import duties on such goods with a view to replacing them with excise duties paid by domestic manufactures.

This liberalization of trade will also involve export operations; thus by December 1995 quotas on the export of grain and grain products will have been dismantled. These foreign trade measures are to be implemented in consultation with and under the recommendations of the IMF.

In March 1995, the Parliament adopted the State Privatization Programme for 1995-96. The programme provides for the privatization of about 1,500 State enterprises. More than half of the companies will be sold through privatization vouchers, and about 200 for cash payment; the remaining companies will be sold under a combination of the two above-mentioned methods. Up to the present, about 600 hundred State enterprises have been transformed into joint stock companies and more than 400 hundred of different sizes and sectors were privatized. In agriculture, one quarter of all collective and State farms were transformed into joint stock companies or cooperatives. Also, more than 17 thousand individual farmers have begun their own activities.

As a result of the denationalization process, the importance of the private sector is quickly expanding in the economy. As of 1 January 1995, the 61.4 thousand registered economic entities were distributed in the following manner (in thousands): State enterprises - 4.4; non-State - 57, including: joint stock companies - 1.5; limited liability company - 15.1; individual enterprises - 21.4; individual farmers - 14. In 1994, companies of private and mixed sectors accounted for 49 per cent of total industrial production, 83 per cent of agriculture, 52 per cent of retail turnover, and 33 per cent of all investments.

In order to ensure the efficient functioning of the economy and the rational use of productive assets, the Government started bankruptcy procedures against a number of loss-making State enterprises. The first group of seven enterprises was identified and liquidation proceedings against them were initiated. It is expected that by the end of June 1995, a similar process will begin that will involve another group of fifteen companies from different sectors. The creation of an effective bankruptcy mechanism will be facilitated by the adoption of revised laws on bankruptcy and collateral which are currently under Parliamentary consideration.

Regarding tax issues recently debated in the Parliament, it was decided to keep the income tax rate at 32 per cent for 1995. At the same time, the amount a company actually spends on the restructuring and modernization of its production facilities may reduce its tax liability by providing an investment tax credit. All manufacturing companies are eligible for this exemption (previously it was reserved only for enterprises operating in "priority areas"). Tax allowances may also be granted for investment in research and development, energy saving procedures, and on profits received from securities floated by the State.

IN BRIEF

Azerbaijan

The National Bank is considering a number of measures aimed at strengthening the banking sector and intensifying the Bank's control over foreign currency operations. One such measure would increase the minimum capital requirement for all banks to AZM 50 million (approximately US$ 12,000), the average equity level of existing Azeri commercial banks. Some experts believe that if the measure is implemented, about one quarter of the two hundred banks operating at present will not be able to meet this requirement by the end of the current year and thus will be liquidated.

In another move, the National Bank plans to require exporters to sell 30 per cent of their export receipts through the Interbank Foreign Exchange in Baku. Commercial banks will be also obliged to sell 30 per cent of their monthly foreign currency profits through the same institution.

The purchase of foreign currency by local companies will be limited to cases where it is used to pay for imports, for credits received in foreign currency and interest on such loans, for dividend payments and for costs of missions abroad.

The Government is also planning to begin privatizing State assets in 1995. Under the provisional privatization programme, the entire process of selling off State assets will take 10 years. In 1995, however, it is expected that about 9,000 small- and medium-sized businesses could be privatized. These enterprises make up 15 per cent of all State companies in the country. Denationalization will also include the free disposal of State assets through privatization vouchers to be distributed to the population.

Belarus

In March 1995, as a part of the package of amendments to the tax legislation debated in the Parliament, Belarus exporters were exempted from paying VAT and sales taxes. As of 1 April 1995, goods may be exported without paying the normal 25 per cent VAT and 5 per cent sales tax. Exports of luxury goods, however,

such as cars, precious metals, furs and computers, will still be subject to sales tax. In order to promote the export of refrigerators and freezers, their delivery abroad was also exempted from the regular 30 per cent excise duty.

It is anticipated that the partnership and cooperation agreement between the European Union and Belarus, signed in March 1995, will open new possibilities of promoting foreign trade.

New regulations on foreign exchange operations with the CIS States entered into force in Belarus on 1 June 1995. In accordance with them, all commercial banks holding accounts in banks in other CIS States are obliged to have a special license for foreign exchange operations issued by the National Bank of Belarus. Previously such permission was required only for relations with banks outside the former Soviet Union. Failure to receive a license will result in the closure of existing accounts in other CIS banks.

The Belarus privatization programme was adopted in summer 1993. It called for the denationalization of half of all State assets by 1997, with about two thirds to be disposed of during 1993-94. The actual pace of privatization was rather modest because of serious differences between the Government and the Parliament in their approaches to privatization. In March 1995 the President signed a decree restarting privatization in the country, which had been suspended in the summer of 1994 due to alleged mismanagement in the sale of State assets. In line with the Government's privatization goals for 1995, more than five hundred State enterprises will be transformed into joint stock companies and privatized. By the beginning of 1995 about 1.2 thousand State enterprises had been privatized. These companies constitute only 10 per cent of all enterprises held by the State. The value of their assets amounts to about 6 per cent of the total value of all State assets to be sold.

Lithuania

The Parliament has begun consideration of a constitutional amendment proposed by the Government which will allow foreigners to own land. Under the current constitution, only Lithuanian citizens or the State may own land, inland waters, and forests. Currently, foreign investors may only lease land for a period of up to 99 years with a priority right to extend the lease terms.

The issue of land ownership, as governmental experts claim, constitutes one of the major obstacles impeding the inflow of foreign capital into the country and creates problems in Lithuania's relations with some of its western partners.

Poland

In the opinion of Polish experts, a significant continuous increase in the country's foreign currency reserves (which are exchanged for local currency) could be one of the factors currently boosting inflation in the country.

In an attempt to solve this problem, and at the same time to avoid an official revaluation of the Zloty, the National Bank is considering the possibility of introducing of a floating exchange range with upper and lower ceilings that would allow for fluctuations.

Another possibility under discussion is to either revoke the current policy that requires exporters to sell their currency receipts to the National Bank or to permit them to keep foreign exchange reserves in their accounts for a longer period than currently allowed.

Tajikistan

The Tajik Government has recently introduced new regulations on foreign trade activities. Special lists will identify export and import goods that will be subject to special control. There will be a list of goods which may be exported within established quotas on the basis of licenses issued by the Ministry of Economy and Foreign Economic Relations, a list of goods prohibited for export and a list of goods which can be exported and imported only under the decision of the Government and in line with licenses granted by the Ministry of Economy and Foreign Economic Relations. The national fund for quotas of export goods is to be established to supervise the distribution of quotas between relevant sectoral ministries and departments. It is expected that customs duty rates and lists of goods subject to them will be reviewed on a quarterly basis. Export duties will be lowered for manufactured goods and increased for raw materials.

The Government is also planning to liberalize foreign currency operations and ease export controls. It is anticipated that export restrictions on more than 50 commodity items will be lifted, with the Government maintaining control over six major goods (cotton fiber, aluminium, silkworm cocoons, etc.).

In the meantime, due to the lack of hard currency reserves, the Government has banned the export of cotton fiber and aluminium which were to have been delivered under contracts concluded before 1 January 1995. It also introduced a freeze on the delivery of such goods to be used as payment under agreements providing for the construction of industrial enterprises and other projects in the country. Such agreements will be subject to a special screening procedure to determine whether they are important for the national economy.

STATISTICAL INFORMATION

1. General developments

The following table (Table 1) summarizes the most recent information on foreign direct investment stock available to the UN/ECE secretariat.

TABLE 1

Foreign (direct) investment stock in countries of central and eastern Europe and former Yugoslavia by year

COUNTRY	1.01.1992	1.01.1993	1.01.1994	1.07.1994	1.10.1994	1.01.1995	1.04.1995
	(Million US$)						
Belarus (1)	..	..	248.8	255.9	..	..	..
Bulgaria	17.7 (6)	76.0 (6)	268.7 (6)	286.4 (2)	..	467.2	..
Czech Republic (3)	595.1	1555.3	2053.0	2489.8	..	3077.4	..
Estonia (3)	..	58.6	216.4	364.7	407.8	..	..
Hungary	1,137.0	5501.9	8119.4	8281.3 (4)	8369.1 (4)	8426.8 (4)	..
Latvia	..	33.4	74.6	100.0 (5)	..	..	..
Lithuania (1)	50.5	95.9	196.9	220.9	230.9	..	..
Poland	479.5	1644.1	2542.5	2650.0 (5)	..	..	..
Romania (1)	225.8	516.2	651.9	794.2	934.4	1227.3	1329.8
Russian Federation	..	..	2337.2	2572.1 (6)	2667.1 (6)	2919.2 (6)	..
Slovakia (1)	..	231.2	366.0	408.0	462.0	551.7	..
Ukraine (3)	..	..	211.4	235.4	..	366.9 (4)	..
SUB-TOTAL	..	..	17286.8	18658.7 (5)	..	..	..
Albania	..	..	144.0	150.0 (5)	..	..	..
Slovenia	..	..	761.8	791.8	..	..	..
TOTAL	..	..	18192.6	19600.5 (5)	..	..	..

.. Data unreported or not yet available.
(1) Cumulative foreign component of foreign investment enterprises' (FIEs') statutory capitals.
(2) As of 3 August 1994.
(3) Cumulative balance of payments FDI inflows.
(4) Preliminary data.
(5) Secretariat estimate.
(6) Revised data.
Note: Values in national currencies converted into US dollars at historical yearly (half-yearly) average exchange rates.
Source: UN/ECE Secretariat - national statistics.

2. Transition economies: foreign investment in large projects

(continued from EWIN, No.1, Spring 1995)

Types of foreign investment

The breakdown of the available data by type of investment is less reliable than other distributions because press reports are not always specific in this respect. For a significant number of large projects (over a quarter) the type of investment agreement is unknown. These accounted for about 19 per cent of initial foreign investment and for 25 per cent of total foreign investment commitments (see Table 2). In addition, the boundaries among different types of investment are fairly fluid and enterprises are mutable from one form to another (for example, a joint venture may later become a production-sharing agreement or a wholly foreign-owned subsidiary).

This being said, about 25 per cent of initial and 23 per cent of total committed investment were accounted for by joint ventures. This type of foreign investment usually implies establishing a new enterprise with foreign capital participation (mostly a limited liability partnership in legal terms). Wholly foreign-owned subsidiaries, also new enterprises in which foreign investors hold 100 per cent of the capital, had 9 per cent of initial investment in large projects and about 7 per cent of total foreign investment.

A significant part of foreign investment has come in the form of equity stakes purchased by companies from abroad in already existing, usually state-owned enterprises. The share of equity stakes was particularly important in initial investment commitments - about one-third - while in total committed investment it was about 11 per cent. Most equity stake purchases occurred during 1993-94, when privatization programmes in several transition economies of the region gained momentum

TABLE 2

Large foreign investment projects in European transition economies by type, end 1994

FI TYPE	INITIAL FI (1)		TOTAL FI (2)	
	VALUE (Million US$)	NUMBER OF PROJECTS	VALUE (Million US$)	NUMBER OF PROJECTS
Joint ventures	4259.8	66	27196.7	74
Wholly foreign-owned subsidiaries	1077.9	26	2016.4	14
Take-overs	501.2	13	407.0	6
Equity stakes	5651.5	99	12352.0	50
Concessions	98.0	2	550.0	2
Production-sharing agreements	2409.8	9	45679	7
Unknown	3222.9	75	29578.0	62
TOTAL	17221.2	290	117779.0	215

(1) Foreign investment to be effected during the first 1-4 years of project life.

(2) Foreign investment to be effected during the whole project life.

Note: Data refer to projects which have initial or total foreign investment equal to or exceeding US$ 10 million. Figures may not add to totals due to rounding.

Source: UN/ECE Secretariat.

During this period, as much as 64 per cent of initial investment and 79 per cent of total investment were committed in the equity of existing enterprises.

Take-overs, that is the buy-outs of existing enterprises in full foreign ownership, have so far involved a relatively small amount of foreign investment. At the end of 1994, its share in initial investment was about 3 per cent, while its share in total investment was less than half a per cent.

Equally small was foreign investment in concessions, accounting for about half a percent of both initial and total foreign investment commitments. This type of agreement is characteristic of infrastructure (e.g. operation of motor ways) and natural resource development projects, and less suitable in other industries.

Production-sharing agreements, on the contrary, enjoyed important capitalization in both initial and total terms. These contracts, composed mainly of natural resource development projects, accounted for 14 per cent of initial investment commitments and for 39 per cent of total pledged investment in large projects.

In short, it may be noted that at the end of 1994, the structure of initial investment in large projects was dominated by agreements involving equity stakes acquired by foreign companies and by foreign partners of joint ventures (58 per cent taken together). Total committed investment had an equally high share of joint ventures, but a visibly higher proportion of production-sharing agreements (39 per cent). The latter fact is associated with the capital-intensive character of natural resource development. By contrast, the weight of equity stakes in total investment was smaller than in initial investment. This may imply that the long-term development strategy for some of the formerly state-owned enterprises in which foreign investors have purchased equity stakes has not yet been elaborated.

When the available data are broken down into two subsets referring to the CIS member States and the other-than-CIS member States (that is, the former non-USSR CMEA member countries, the Baltic States, the former Yugoslav republics and Albania), it is seen that, at the end of 1994, the latter region had considerably more agreements associated with the process of privatization. The combined share of equity stakes and take-overs in these east, central and south-east European countries amounted to 46 per cent in initial foreign investment and to 39 per cent in total foreign investment.

In the CIS member States, by contrast, no large take-overs with foreign participation had been registered by the end of 1994. In addition, the share of equity stakes was significantly lower - 14 per cent (initial investment) and 1 per cent (total investment). This attests to the enhanced participation of foreign companies in privatization in the east, central and south-east European transition economies as compared with the CIS, as well as to the generally more advanced stage of this process in the first group of countries.

In contrast, the members of the CIS had a significantly higher share of production-sharing agreements related to the development of natural resources. In this region, the share of such agreements amounted to 43 per cent of initial investment and to 49 per cent of total foreign investment commitments in large projects; outside of the CIS this did not exceed one per cent in terms of initial investment and about 9 per cent in its total counterpart. This suggests a higher propensity of companies from abroad to engage in the development of natural resources in the CIS member States as compared with the other European transition economies.

Industrial breakdown

(a) General

As much as 49 per cent of *initial* foreign investment in the large projects under review was invested in manufacturing (see Table 3 and Chart 1). At the same time the share of mining was also important - 26 per cent. While the weight of manufacturing was slightly lower than this sector's share in the statistically reported actual foreign investment in most transition economies (end of 1993), the share of mining was notably higher.

Outside of industry, relatively large FI projects have been also initiated in such sectors as communications (more than 7 per cent of initial investment) and construction (6 per cent). As regards the latter, one should note that some of the initiated construction projects will eventually be reclassified under other types of activities, such as the operation of transportation networks. About 4 per cent of initial investment was committed in financial intermediation (banking and insurance), and about 3 per cent in hotels and restaurants. The weight of other sectors was less important.

The industrial structure of *total* foreign investment was substantially different (see Table 3 and Chart 2). As much as 74 per cent of it was committed in mining and only 16 per cent in manufacturing. While communications accounted for around 6 per cent, the share of construction made up about 2 per cent, with all other sectors having less than one per cent each.

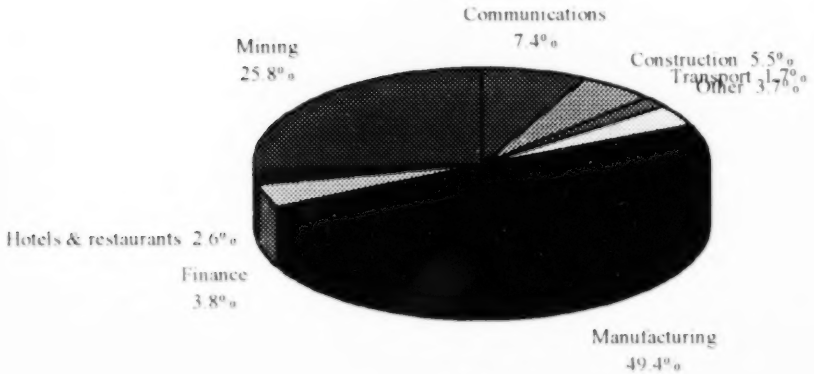
Both in terms of initial and total investment, the largest projects were found in mining. The average capitalization in this sector amounted to US$ 140 million (initial FI) and US$ 2.7 billion (total FI). The first indicator was over 2.3 times higher than average for all sectors, while the second was almost five times higher. Higher-than-average initial capitalization was also characteristic of projects in communications, insurance and construction. By contrast, in manufacturing the average initial capital commitment was lower than average (by 25 per cent). In terms of total foreign investment, none of the sectors outside of mining enjoyed higher-than-average project capitalization.

Within *mining*, a sizable share of initial investment (25 per cent of the total) was directed towards the development of oil and gas deposits (see Table 2 and Chart 3). The share of this branch was even larger in terms of total committed investment (72 per cent) (see Table 3 and Chart 4). The average investment amount per project was the largest in petroleum and gas extraction, exceeding the average by factors of 2.9 and 6.7 in terms of initial and total foreign investment, respectively.

Within *manufacturing*, the production of food, motor vehicles and tobacco were the most attractive branches as regards initial foreign investment committed. These branches accounted for 14, 11 and 5 per cent of total initial commitments, respectively. The shares of the chemical industry (3.5 per cent), radio, TV and communication equipment, and paper and paper products (3 per cent, each), and other non-metallic products, and non-electrical machinery (2 per cent, each) were also among the highest in manufacturing.

CHART 1

European transition economies: foreign investment in large projects by sector of activity, end 1994



Initial FI

Note: Data represent cumulative foreign investment committed in projects with foreign capitalization equal to or exceeding US$ 10 million. Initial foreign investment is investment to be effected during the first 1-4 years of project life.

Source: UN/ECE Secretariat.

TABLE 3

Large foreign investment projects in European transition economies by host region and industry, end 1994

ISIC rev.3 CODE	INDUSTRY	CIS				OTHER THAN CIS				TOTAL			
		INITIAL FI (1)		TOTAL FI (2)		INITIAL FI (1)		TOTAL FI (2)		INITIAL FI (1)		TOTAL FI (2)	
		VALUE (Million US$)	NUMBER OF PROJECTS	VALUE (Million US$)	NUMBER OF PROJECTS	VALUE (Million US$)	NUMBER OF PROJECTS	VALUE (Million US$)	NUMBER OF PROJECTS	VALUE (Million US$)	NUMBER OF PROJECTS	VALUE (Million US$)	NUMBER OF PROJECTS
C	Mining & quarrying, of which:	4157.5	24	83681.3	25	285.4	8	3007.8	7	4442.9	32	86689.1	32
10	Coal	9.0	1	0.0	0	30.1	1	0.0	0	39.1	2	0.0	0
11	Crude petroleum & natural gas	4119.7	20	81942.5	17	158.3	5	2973.3	6	4278.0	25	84915.8	23
13	Metal ores	20.8	2	1738.8	8	97.0	2	34.5	1	117.8	4	1773.3	9
14	Other mining	8.0	1	0.0	0	0.0	0	0.0	0	8.0	1	0.0	0
D	Manufacturing, of which:	1054.2	24	3555.4	20	7458.9	170	15590.0	114	8513.1	194	19145.4	134
15	Food	295.7	9	250.0	2	2123.9	58	2261.9	35	2419.6	67	2511.9	37
16	Tobacco	459.3	6	919.9	5	447.2	5	581.0	3	906.5	11	1500.9	8
17	Textiles	0.0	0	0.0	0	7.4	1	50.0	1	7.4	1	50.0	1
18	Wearing apparel	0.0	0	0.0	0	84.0	3	96.0	2	84.0	3	96.0	2
19	Leather	0.0	0	13.0	1	10.0	1	0.0	0	10.0	1	13.0	1
20	Wood & wood products	3.5	1	0.0	0	27.5	1	0.0	0	31.0	2	0.0	0
21	Paper & paper products	0.0	0	0.0	0	530.5	9	838.0	7	530.5	9	838.0	7
22	Publishing	28.5	1	0.0	0	35.0	2	50.0	1	63.5	3	50.0	1
23	Refined petroleum & coke	0.0	0	240.0	1	0.0	0	0.0	0	0.0	0	240.0	1
24	Chemicals	84.2	3	143.6	2	511.8	19	1282.8	15	596.0	22	1426.4	17
25	Rubber & plastic products	0.0	0	700.0	1	23.6	2	65.1	2	23.6	2	765.1	3
26	Other non-metallic products	0.0	0	0.0	0	378.5	14	787.8	12	378.5	14	787.8	12
27	Basic metals	0.0	0	0.0	0	229.8	3	1299.8	3	229.8	3	1299.8	3
28	Metal products	0.0	0	108.9	1	54.8	3	14.9	1	54.8	3	123.8	2
29	Machinery & equipment N.E.C.	40.0	1	0.0	0	299.0	8	246.8	4	339.0	9	246.8	4
30	Office & computing machinery	0.0	0	13.0	1	0.0	0	30.0	1	0.0	0	43.0	2
31	Electrical machinery	0.0	0	300.0	1	255.3	8	861.8	7	255.3	8	1161.8	8
32	Radio, TV & communication equipment	0.0	0	0.0	0	471.7	8	437.2	5	471.7	8	437.2	5
33	Medical & precision instruments	10.0	1	125.0	2	0.0	0	0.0	0	10.0	1	125.0	2
34	Motor vehicles	133.0	2	640.0	2	1792.8	17	6605.3	11	1925.8	19	7245.3	13
35	Other transport equipment	0.0	0	102.0	1	9.2	1	11.7	1	9.2	1	113.7	2
36	Other manufacturing	0.0	0	0.0	0	54.9	4	69.9	3	54.9	4	69.9	3
37	Recycling	0.0	0	0.0	0	112.0	3	0.0	0	112.0	3	0.0	0
E	Electricity, gas & water supply	100.0	1	0.0	0	20.0	1	0.0	0	120.0	2	0.0	0
F	Construction	0.0	0	234.2	1	940.4	8	2091.0	8	940.4	8	2325.2	9
G	Wholesale & retail trade	0.0	0	0.0	0	256.6	11	357.2	8	256.6	11	357.2	8
H	Hotels & restaurants	0.0	0	0.0	0	449.0	10	764.0	5	449.0	10	764.0	5
60-63	Transport	0.0	0	31.0	1	297.6	6	1084.2	7	297.6	6	1115.2	8
64	Communication	67.4	3	357.8	4	1213.2	7	6481.6	10	1280.6	10	6839.4	14
65	Financial intermediation, except insurance	40.0	1	0.0	0	321.5	8	0.0	0	361.5	9	0.0	0
66	Insurance	0.0	0	0.0	0	299.1	3	230.5	1	299.1	3	230.5	1
70	Real estate	4.1	1	0.0	0	146.0	2	240.0	2	150.1	3	240.0	2
92	Cultural activities	0.0	0	0.0	0	10.0	1	73.0	2	10.0	1	73.0	2
	Other	0.0	0	0.0	0	100.0	1	0.0	0	100.0	1	0.0	0
	TOTAL	5413.2	54	87859.7	51	11797.7	236	29919.3	164	17221.2	290	117779.0	215

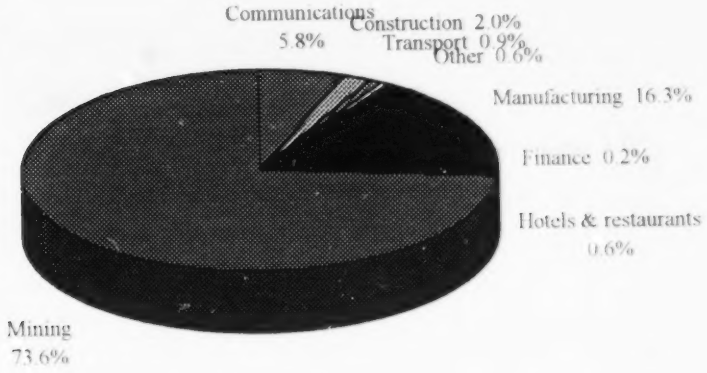
(1) Foreign investment to be effected during the first 1-4 years of project life.

(2) Foreign investment to be effected during the whole project life.

Note: Data refer to projects which have initial or total foreign investment equal to or exceeding US$ 10 million. Figures may not add to totals due to rounding.

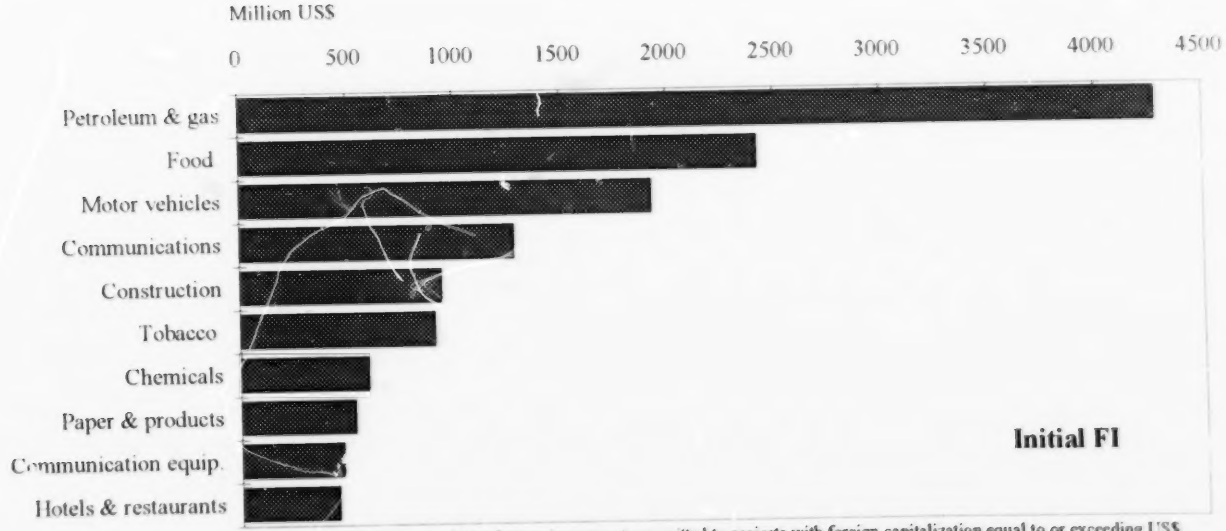
Source: UN/ECE Secretariat.

CHART 2
European transition economies: foreign investment in large projects by sector of activity, end 1994



Note : Data represent cumulative foreign investment committed in projects with foreign capitalization equal to or exceeding US$ 10 million. Total foreign investment is investment to be effected during the whole project life.
Source : UN/ECE Secretariat.

CHART 3
European transition economies: foreign investment in large projects by major industry, end 1994



Note : Data represent cumulative foreign investment committed to projects with foreign capitalization equal to or exceeding US$ 10 million. Initial foreign investment is investment to be effected during the first 1-4 years of project life.
Source : UN/ECE Secretariat.

CHART 4
European transition economies: foreign investment in large projects by major industry, end 1994

Note: Data represent cumulative foreign investment committed in projects with foreign capitalization equal to or exceeding US$ 10 million. Total foreign investment is investment to be effected during the whole project life.
Source: UN ECE Secretariat.

In terms of total foreign investment, the three above-mentioned top-ranking manufacturing branches also had the highest shares of the total, with motor vehicles accounting for 6 per cent, food for 2 per cent and tobacco for just above 1 per cent of total. The shares of all other manufacturing industries in total investment commitments were about 1 per cent or lower.

Summarizing, one may note that at the end of 1994, foreign investment in large projects to be effected in the next 1-4 years was focused on manufacturing, mining, communications, financial services, and the hotel and restaurant businesses. Within manufacturing, the production of motor vehicles, food and tobacco attracted the largest amounts of foreign capital. In terms of total foreign investment to be effected over the whole project life (up to 40 years), mining, and petroleum and gas development projects in particular, had the largest part of foreign investment commitments, while the share of manufacturing and, to a lesser extent that of communications, was smaller than in terms of initial investment.

(b) Industries and types of investment

Given the data limitations, preferences of certain investment types *vis-à-vis* individual industries or branches can be delineated only very roughly. This being said, it is seen that equity stake acquisitions and take-overs of already existing enterprises tended to focus on manufacturing, communications (equity stakes), and wholesale and retail trade (take-overs). Both in terms of initial and total investment, foreign companies have been particularly interested in buying into food and tobacco, chemicals, paper and several engineering branches (non-electrical machinery, electrical, radio and communication equipment). The share of equity stakes was also higher than average in motor vehicles manufacturing.

Joint ventures, which are generally associated with newly created FI enterprises, were more evenly distributed across sectors. In terms of initial investment, almost 30 per cent of joint venture capital was invested in the motor vehicles industry (as compared with 11 per cent on average). In the same way, construction activities had a significantly higher weight of foreign capital committed in joint ventures than its counterpart for all forms taken together. Total foreign investment committed in joint ventures was more mining-oriented than initial investment in joint ventures. At the same time, the shares of manufacturing and construction were still two times higher than those for all forms of investment. By this yardstick, within manufacturing, the production of motor vehicles and of basic metals attracted the most foreign capital.

Investment through wholly foreign-owned subsidiaries, another form of green-field investment, was concentrated in manufacturing. Within this sector, initial investment was largely focused on paper and paper products, and motor vehicles, and, outside of it, on trade and financial intermediation. In terms of total investment, the capital of wholly foreign-owned subsidiaries was

concentrated in the manufacture of motor vehicles, but also consumer goods (food, tobacco and wearing apparel) and intermediate inputs (wood, paper and non-metallic products). Outside of manufacturing, trade and hotel business have attracted this type of investment more notably than the other types.

While there were very few concessions (mostly in the operation of motorways), all production-sharing agreements were agreed upon in the mining sector. In terms of both initial and total foreign investment, the extraction of crude petroleum and natural gas accounted for almost all capital committed under this investment type.

In short, production-sharing agreements aside, it is difficult to identify distinct patterns of investor propensities to use particular forms of market entry in sectoral/industrial terms. This being said, one may note that buying into existing enterprises (take-overs and equity stakes) seems to be a preferred form of investment in consumer goods industries (food and tobacco), the production of chemicals, several branches of engineering and in communications. On the other hand, joint venture agreements and wholly foreign-owned subsidiaries (that is, as a rule, new enterprises) have proved to be attractive to foreign investors in the motor vehicle and paper industries, construction and services (e.g. trade, hotels and financial intermediation).

It is also interesting to note that the agreement types which ensure foreign investors exclusive control over the enterprise (take-overs and wholly foreign-owned subsidiaries) were concentrated in manufacturing more than any other type of agreement. By either yardstick (initial or total investment), the share of manufacturing in the total volume of investment in take-overs and wholly foreign-owned subsidiaries was higher than its counterpart in the capital invested in joint ventures or equity stake acquisitions. While it is difficult to draw definite conclusions with regard to the preferences of individual manufacturing branches, to a lesser extent, the above-mentioned trend towards complete control of affiliated foreign enterprises also holds for wholesale and retail trade, and financial intermediation (i.e. wholly foreign-owned subsidiaries).

(c) CIS and other-than-CIS countries

The available data also permit a separate analysis of the industrial structure of foreign investment in the *CIS countries*, on the one hand, and that of the *other east, central and south-east European transition economies*, on the other (see Table 3). When examined in this way, two distinct patterns emerge.

At the end of 1994, in countries other than those belonging to the CIS, the largest parts of initial and total foreign investment were committed in manufacturing (63 and 52 per cent, respectively). Mining made up 2 per cent of initial investment and 10 per cent in its total counterpart. In the latter case, almost all investment commitments in mining involved the development of oil and gas deposits.

Respectively 10 and 8 per cent of initial investment in east, central and south-east European transition economies were committed in communications and construction, while the share of financial intermediation (banking and insurance) reached 5 per cent. In terms of total foreign investment commitments, the weight of communications amounted to almost 22 per cent, and that of construction remained relatively high at 7 per cent.

Within manufacturing, initial foreign investment commitments in other-than-CIS countries were concentrated in food (18 per cent of total), motor vehicles (15 per cent), and, to a lesser extent, in paper and paper products (5 per cent), chemicals, radio, TV and communication equipment, and tobacco (4 per cent, each). In terms of total investment commitments, the interest of foreign investors focused on the production of motor vehicles (22 per cent), food (8 per cent), and the manufacture of chemicals and of basic metals (4 per cent, each).

The structure of foreign investment in large projects in the CIS was remarkably different. At the end of 1994, almost 77 per cent of total initial investment in this region was committed in mining, particularly in oil and gas-related activities (76 per cent). Manufacturing accounted for only 19 per cent of the total, while the weights of communications (1 per cent) and financial services were insignificant (less than 1 per cent).

In terms of total investment commitments, the overwhelming role of mining (95 per cent of total commitments), in which oil and gas extraction figured centrally (93 per cent), was even more apparent. Manufacturing accounted for a meager 4 per cent of the total, while the other sectors attracted no more than one half a per cent, each.

Within manufacturing, in the short run, tobacco (9 per cent of initial investment commitments), food (6 per cent) and, on a smaller scale, motor vehicles (3 per cent) attracted the most foreign investment. Regarding longer-term commitments, the shares of individual manufacturing branches were insignificant.

To summarize, it is seen that at the beginning of 1990s the immediate interests of foreign investors (initial investment) in European transition economies outside of the CIS tended to focus on several branches of manufacturing (food, motor vehicles, paper, communication equipment), and on communications, construction and financial services. In the longer term, investors also committed themselves to developing the oil and gas economy, and, in particular, to establishing telecommunications networks and the production of motor vehicles.

In the CIS member States, both initial and total foreign investment in large projects were concentrated in mining, in which oil and gas-related activities were central. In the short run, companies from abroad have shown interest in the manufacture of food and tobacco, and, to a lesser extent, in the manufacture of motor vehicles. However, in terms of total investment commitments, mining (oil and gas) has so far been the unrivalled pole of attraction, while all other sectors (e.g. communications, construction, financial intermediation) have not provoked the interest of potential foreign investors. In most economic sectors, other than the mining and manufacturing branches, the values of committed investment in the CIS region were 5 to 15 times lower than in their counterparts in the other European transition economies.

3. Foreign investment in Romania

East-West Investment and Joint Ventures News, No. 13, September 1992 surveyed foreign investment projects registered in Romania between 1990 and the first half of 1992. The present section updates that report.[1]

Growth

Between 1990 and the end of 1994, the total *number* of foreign investment enterprises (FIEs) in Romania increased rapidly. This growth was particularly fast in 1992, during which over 12 thousand new FIEs were registered. Subsequently, this growth slackened somewhat, but has remained steady nevertheless. Compared with the end of 1992, the total number of foreign investment (FI) registrations nearly doubled, growing from 19.5 to 38.1 thousand at the end of December 1994 (see Table 4 and Chart 5). In addition, during the first quarter of 1995, 610 companies with foreign participation were registered, bringing the total to 38.7 thousand.

While in terms of registration numbers, Romania is a regional leader in attracting foreign investment, this is not the case with regard to the volume of foreign investment capital. During 1990-94, at current exchange rates the *cumulative foreign component* of FIEs' statutory capital increased 12.4-fold.[2] The growth increment was the largest in 1992 (US$ 290 million), and, after a certain slump in 1993 (US$ 136 million), growth in foreign investment accelerated. While during the first two quarters of last year the FI increment made up US$ 142 million, over the next six months it amounted to US$ 433 million. As compared with the end of 1992, by the end of 1994, in cumulative terms, the value of committed foreign capital had grown by a factor of 2.4 to reach a record high of US$ 1,227.3 million.

During the first quarter of this year, foreign investment growth continued, albeit at a somewhat slower speed. The growth increment in statutory capital commitments amounted to US$ 102.6 million while the cumulative total reached US$ 1,329.8 million by the end of March 1995.

It may be useful to compare the growth of FI commitments with that of the *FDI balance of payments inflows*. The latter is defined as cash investments made by non-residents through the banking system. These inflows increased from US$ 40 million in 1991, to US$ 80 and 87 million one and two years later, respectively. During 1994, there was an upswing in the FDI inflow in Romania which reached US$ 294 million, a three-fold increase compared with the two previous years.[3] While the general growth trends of actual disbursements of foreign capital follow those of commitments, it is seen that the former are substantially lower than the latter. In various years, the aggregate value of inflows ranged from 27 to 64 per cent of commitments' growth increments, and cumulatively amounted to US$ 431 million in December 1994 - approximately 35 per cent of total commitments.

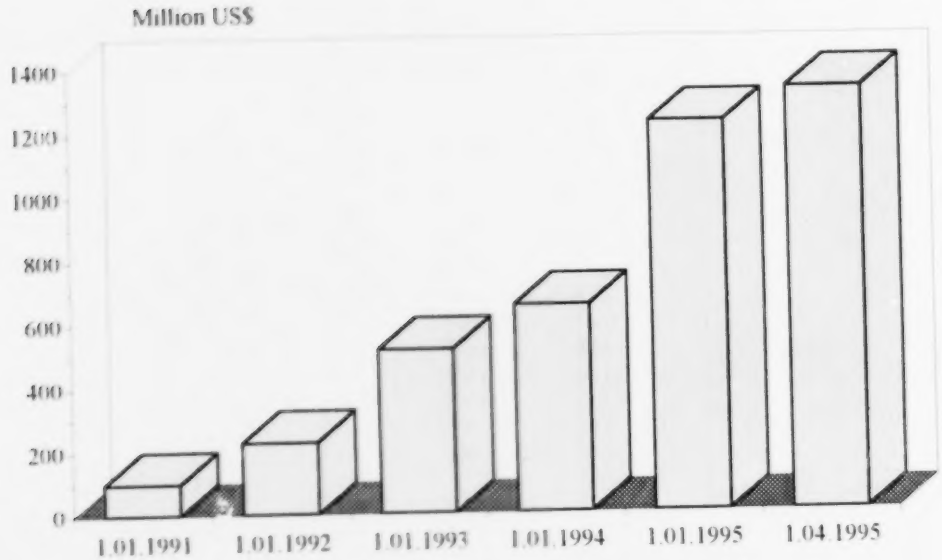
TABLE 4
Foreign investment in Romania by year

YEAR	FI STOCK (Million US$)		NUMBER OF FIEs	
	INCREMENTS	CUMULATIVE	INCREMENTS	CUMULATIVE
1.01.1991 (1990)	99.2	99.2	1447	1447
1.01.1992 (1991)	126.6	225.8	5977	7424
1.01.1993 (1992)	290.4	516.2	12085	19509
1.01.1994 (1993)	135.7	651.9	8842	28351
1.01.1995 (1994)	575.4	1227.3	9715	38066
1.04.1995 (1Q 1995)	102.6	1329.8	610	38676
TOTAL	1329.8	1329.8	38676	38676

Note: **Data refer to registered FIEs and the foreign component of their statutory capitals. Figures may not add to totals due to rounding.**
Source: **UN/ECE Secretariat - Romanian Development Agency.**

1. Information for this section of the survey was provided to the UN/ECE secretariat by the Romanian Development Agency (RDA).
2. It should be noted that in late 1993 the RDA improved its recording system. In particular, it has started recording the additionally committee capital in already existing FIEs more accurately (dates of actual commitment instead of registration dates). Consequently, the revised foreign capital distribution by year gives more weight to recent periods which result in increasing growth rates.
3. UN/ECE Foreign Investment Database.

CHART 5
Growth of foreign investment stock in Romania



Note: Data refer to registered FIEs and the foreign component of their statutory capitals.
Source: UN ECE Secretariat - Romanian Development Agency.

In cumulative terms, the average *size* of a foreign investment in 1990-93 generally tended to decrease. While in 1990 the average foreign commitment amounted to US$ 69 thousand, the next year it dropped to US$ 30 thousand. During 1992-93, the foreign part of FIEs' capitalization stood at about US$ 23-26 thousand, and last year increased in cumulative terms to US$ 32 thousand. It should be noted that the average foreign commitment in companies established during 1994 was significantly higher than average, at US$ 59 thousand.

Since October 1993, the Romanian Development Agency (RDA) has collected data on FIEs which were formed through *takeovers and acquisitions with foreign participation*. So far (during the year starting with the last quarter of 1993), very few of such enterprises have been registered, the current total being 17. The total foreign investment in these takeovers and acquisitions amounted to US$ 46 thousand.

Foreign partners

At the beginning of 1995, as is the case of FI in most economies in transition, west European countries were the major source of foreign investment (see Table 5 and Chart 6). These countries accounted for 60 per cent of the total value of foreign capital committed and for 48 per cent of the number of FI cases (participations). The EU member States predominated as an aggregate investor. 50 per cent of the cumulative capital inflow came from this region, and the EU partners accounted for 37 per cent of the total number of foreign participations in registered enterprises. The weight of investors from the other west European countries was less important (10 per cent of foreign capital commitments).

On the same date, about 8 per cent of the total capital inflow originated in the United States, and 5 per cent in Canada. While the share of European transition economies made up about 3 per cent of total FI, that of developing countries was as high as 20 per cent. It should be noted that the weight of business operators from developing countries was particularly high in terms of the number of FI participations (31 per cent). Finally, in 1993 and 1994, the European Bank for Reconstruction and Development committed about US$ 31 million (almost 3 per cent of total FI value) in four FIEs located in Romania.

During 1993-94, the partner country structure of FI experienced a decline in the weight of western Europe, and, in particular, that of the European Union (respectively 73 and 67 per cent of total FI commitments at the end of 1992). To a lesser extent, the weight of United States investors also decreased. By contrast, and this is a peculiarity of foreign investment in Romania, commitments of investors from developing countries increased considerably during 1994 (at the end of 1993 their share did not exceed 6 per cent). At the same time, in terms of the number of participations, the regional pattern of FI commitments remained almost identical during the two years under review.

TABLE 5

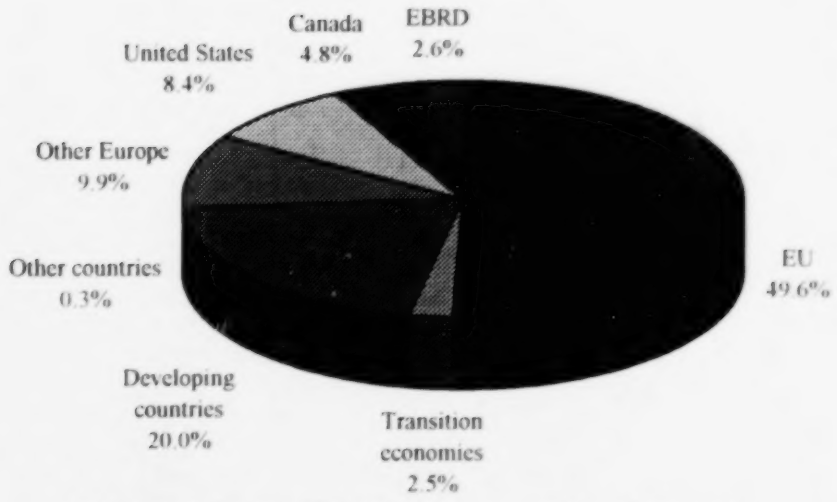
Foreign investment in Romania by origin of foreign investor

COUNTRY/REGION	FI STOCK (Million US$)	FI CASES (NUMBER)	FI STOCK (Million US$)	FI CASES (NUMBER)	FI STOCK (Million US$)	FI CASES (NUMBER)
	1.01.1993		1.01.1994		1.01.1995	
Western Europe:	388.7	9850	520.2	13805	731.1	20480
EU:	361.4	7575	459.7	10663	609.2	15934
Austria	9.3	483	17.0	665	28.4	990
Belgium	1.5	227	3.0	312	4.9	430
Denmark	0.3	57	0.3	70	1.9	102
Finland	0.1	12	0.1	16	0.2	21
France	56.8	723	83.4	1003	104.2	1435
Germany	58.6	2520	62.7	3396	97.6	4878
Greece	11.2	602	15.8	857	26.5	1295
Ireland	5.4	19	2.8	31	3.1	79
Italy	70.6	1979	97.6	2984	101.1	4673
Luxembourg	0.2	12	1.3	26	52.3	69
Netherlands	66.0	306	57.6	412	78.5	598
Portugal	0.1	5	0.2	12	0.2	20
Spain	12.6	78	35.5	125	34.1	228
Sweden	3.1	256	3.2	343	14.4	470
United Kingdom	65.8	296	79.2	411	61.9	646
Other Europe:	27.4	2275	60.4	3142	121.8	4546
Iceland	0.0	1	0.0	1	0.3	7
Norway	0.2	28	0.2	40	0.4	55
Switzerland	7.0	279	10.2	384	48.0	550
Liechtenstein	0.9	45	15.3	55	6.8	85
Cyprus	2.5	92	4.9	157	11.3	253
Malta	-	-	-	-	0.0	1
Monaco	0.1	1	0.1	1	0.1	1
San Marino	0.1	2	0.1	2	0.1	3
Turkey	16.6	1827	29.6	2502	55.0	3591
Canada	17.3	252	60.4	359	59.1	498
Israel	10.0	688	13.3	1029	15.7	1383
Japan	0.6	19	0.7	31	1.3	45
United States	64.4	1057	72.0	1480	103.0	2030
Developing countries:	41.6	6293	44.7	9080	245	13075
Algeria	0.1	19	0.1	22	0.1	41
Bahamas	-	-	-	-	0.0	3
Bermuda	-	-	-	-	0.0	1
Brazil	-	-	-	-	0.1	27
Cameroon	0.3	2	0.4	2	0.4	5
Egypt	4.5	231	4.8	384	5.5	540
Hong Kong	1.5	14	2.0	20	2.6	36
India	0.6	31	0.7	52	1.0	89
Indonesia	-	-	-	-	0.0	4
Iran, Islamic Republic of	2.0	636	2.2	928	4.4	1540
Iraq	1.9	634	2.1	1045	5.3	1789
Jordan	1.8	1114	4.4	1640	6.9	2120
Korea, Republic of	0.6	16	0.6	29	158.0	42
Kuwait	0.2	81	0.2	104	0.3	125
Lebanon	7.1	1020	7.9	1339	11.8	1928
Liberia	0.1	10	0.1	13	0.2	20
Libyan Arab Jamahiriya	0.2	39	0.2	60	0.3	75
Mexico	-	-	-	-	0.0	5
Nigeria	0.0	17	0.0	26	0.1	44
Pakistan	0.1	81	0.1	121	0.3	187
Panama	0.8	26	1.4	46	3.1	81
Peru	0.3	9	0.3	15	0.4	20
Philippines	0.6	5	0.6	8	0.6	9
Saudi Arabia	0.2	18	3.8	34	4.0	46
Singapore	0.3	10	0.6	18	1.5	37
Sudan	0.1	73	0.2	106	0.3	152
Syrian Arab Republic	8.9	1913	10.5	2634	30.2	3548
Taiwan	-	-	-	-	0.2	11

COUNTRY/REGION	FI STOCK (Million US$)	FI CASES (NUMBER)	FI STOCK (Million US$)	FI CASES (NUMBER)	FI STOCK (Million US$)	FI CASES (NUMBER)
	1.01.1993		1.01.1994		1.01.1995	
Developing countries: (cont.)						
Tunisia	0.3	25	0.3	38	0.4	43
United Arab Emirates	0.6	90	0.7	144	0.8	168
Yemen	0.1	21	0.1	30	0.1	41
Zaire	0.0	16	0.3	24	0.3	25
Other	8.2	142	0.0	198	6.3	273
Transition economies:	10.3	1271	16.2	1744	30.4	2978
Albania	0.0	2	0.0	10	0.0	12
Bulgaria	0.2	49	6.0	104	6.1	167
Czech Republic 1)	0.1	30	0.2	44	0.3	59
Hungary	7.3	921	6.0	1101	13.2	1516
Poland	1.8	45	2.1	62	2.3	87
Slovakia	0.0	0	0.0	5	0.1	32
CIS, of which: 2)	1.0	213	1.7	373	5.4	724
Armenia	0.0	8	0.0	14	0.0	16
Azerbaijan	-	-	-	-	0.0	2
Kazakhstan	0.0	1	0.0	1	0.0	3
Moldova	1.0	188	1.6	304	4.0	550
Russian Federation	...	...	0.0	18	0.6	54
Ukraine	0.0	15	0.0	35	0.2	51
Georgia	0.0	1	0.0	1	0.0	1
Latvia	0.0	1	0.0	1	0.0	1
Lithuania	-	-	-	-	0.0	3
ex-Yugoslavia, of which: 3)	0.0	10	0.1	44	2.8	377
Bosnia	0.0	2	0.0	8	0.0	13
Croatia	0.0	6	0.0	15	0.0	23
Macedonia, FYR of	...	...	0.0	12	0.1	22
Serbia	0.0	2	0.1	4	0.1	28
Slovenia	...	...	0.0	5	0.0	8
Non-European planned economies:	1.5	901	2.1	1165	6.1	1944
China	1.5	889	2.1	1143	5.9	1899
Cuba	-	-	0.0	2	0.0	3
Mongolia	0.0	2	0.0	2	0.0	4
Viet Nam	0.0	10	0.0	18	0.2	38
Other countries:	1.5	129	1.9	201	3.7	269
Australia	1.5	124	1.9	192	3.6	255
South Africa	0.0	5	0.0	9	0.0	14
EBRD	-	-	19.7	2	31.4	4
TOTAL	535.9	20460	751.1	28896	1227.1	42706

1) Including data on FIEs with foreign partners from the former CSFR.
2) Including non-distributed data on FIEs with foreign partners from the CIS.
3) Including non-distributed data on FIEs with foreign partners from the former Yugoslav republics.
Note: Data refer to registered FIEs and the foreign component of their statutory capitals. Figures may not add to totals due to rounding.
Source: UN/ECE Secretariat - Romanian Development Agency.

CHART 6
Foreign investment stock in Romania
by origin of foreign investor, end 1994



Note: Data refer to registered FIEs and the foreign component of their statutory capitals.
Source: UN ECE Secretariat - Romanian Development Agency.

At the beginning of 1995, in terms of foreign capital commitments, companies from the Republic of Korea (13 per cent), France (9 per cent), the United States, Italy and Germany (8 per cent, each) belonged to the *largest aggregate investors* (see Chart 7). These five partner countries, which have committed the largest amounts of foreign capital in Romania, accounted for 46 per cent of the total sum, while the top ten major investors accounted for 71 per cent. As compared with January 1993, the composition of major investor countries in January 1995 has remained relatively stable. At the beginning of 1995, as many as eight of the countries belonging to the top ten aggregate investors were present in the same listing two years earlier. Important, however, was the emergence of the Republic of Korea as a top-ranking investor-country as well as a clear decline in concentration rates: at the beginning of 1993, the five major partner countries accounted for 61 per cent of total foreign capital commitments and the top ten such countries for 82 per cent. This attests to a certain recent diversification of sources of foreign investment in Romania, a conclusion which finds additional proof in the ranking of countries participating in the largest number of FIEs.

At the beginning of 1995 the top ten ranking was different, with Germany (11 per cent), Italy (almost 10 per cent) and Turkey (8 per cent) at the top of the list, followed by the Syrian Arab Republic (8 per cent) and Jordan (5 per cent). Of the ten major investor countries five (Syria, Jordan, Lebanon, Iraq and Iran) were developing countries, accounting together for 26 per cent of the total number of foreign participations in registered FIEs. Therefore, the recent expansion of foreign investment in Romania has been largely fuelled by the increased activity of companies from developing countries. At the start of 1995, the concentration rate in terms of numbers was lower than that of capital: the first five major investor countries accounted for about 44 per cent of the total number of FI cases, while the top ten for 66 per cent; these concentration rates have remained relatively stable over the last two years.

Industrial breakdown

As was already indicated in the previous surveys of foreign investment in Romania, most FI enterprises operate simultaneously in several industries and are double-counted by the RDA. In addition, frequent changes in industrial nomenclature and the reclassification of FIEs do not facilitate commenting on the *industrial structure* of foreign investment. This being said, at the end of 1994, as much as 94 per cent of ventures with foreign participation, accounting for 74 per cent of total foreign capital commitments, operated in domestic trade along with other lines of activity (see Table 6). In addition, 24 per cent of them engaged in foreign trade (34 per cent of foreign capital commitments). About 60 and 49 per cent of FIEs, respectively, operated in transport and tourism, while their shares in committed foreign capital were lower than their counterparts in the number of cases (45 and 25 per cent, respectively). Finally, about 30 and 25 per cent of FIEs engaged in agriculture and infrastructure,

TABLE 6

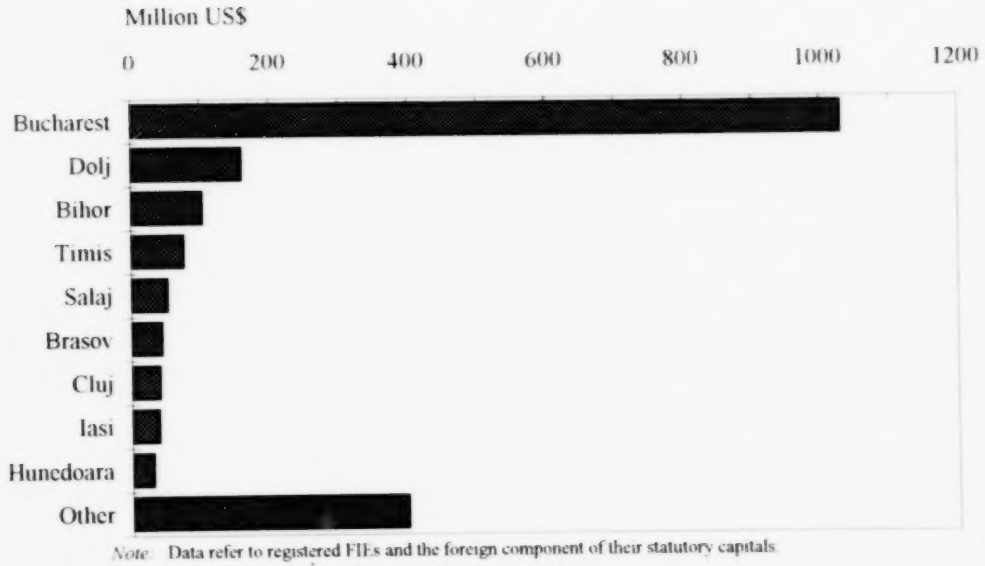
Foreign investment in Romania by industry

INDUSTRY	FI STOCK (Million US$)	NUMBER OF FIEs	FI STOCK (Million US$)	NUMBER OF FIEs
	1.01.94		1.01.95	
Mining	96.4	639	99.2	739
Infrastructure	157.6	9209	179.7	9496
Electronics	64.7	6484	295.4	8422
Electrotechnics	55.1	6138	264.7	7837
Chemicals	1.5	104	17.2	1147
Wood	3.3	210	42.3	2195
Tranport	203.1	17973	545.5	23299
Telecommunications	27.1	1851	54.2	2079
Light industry	115.6	14209	216.6	17609
Food	238.7	16554	400.0	21009
Agriculture	116.0	9124	184.4	11597
Machine-building	123.4	3361	324.9	4434
Construction	4.0	291	216.2	2742
Domestic trade	520.5	27906	910.2	36240
Foreign trade	10.4	872	419.3	9311
Banking	70.7	891	107.0	1012
Insurance	1.2	23	6.5	144
Tourism	219.6	15660	304.1	18998
Other services	8.0	621	356.9	6793
Other	534.9	25943	890.9	31288
TOTAL	755.0	29020	1227.1	38676

Note: Data refer to registered FIEs and the foreign component of their statutory capitals. Figures do not add to totals due to double counting of FIEs engaged in more than one activity.
Source: UN/ECE Secretariat - Romanian Development Agency.

CHART 8

Foreign investment stock in Romania by location, end 1994



Note: Data refer to registered FIEs and the foreign component of their statutory capitals.
Source: UN/ECE Secretariat - Romanian Development Agency.

TABLE 7
Foreign investment in Romania by location

REGION (COUNTY)	FI STOCK (Million US$)	NUMBER OF FIEs	FI STOCK (Million US$)	NUMBER OF FIEs	FI STOCK (Million US$)	NUMBER OF FIEs
	1.01.1993		1.01.1994		1.01.1995	
Alba	1.3	123	5.6	124	19.0	128
Arges	1.2	199	6.9	312	19.8	347
Arad	2.6	331	5.7	590	13.6	784
Bucharest	264.4	12260	408.3	18069	1031.1	23070
Bacau	2.1	142	2.7	216	6.1	227
Bihor	38.3	501	39.8	572	103.7	1335
Bistrita Nasaud	1.3	74	12.4	72	25.4	87
Braila	1.2	88	1.3	135	3.6	158
Botosani	1.4	36	1.5	48	3.1	56
Brasov	7.2	183	7.7	204	44.5	319
Buzau	0.2	59	0.3	99	4.9	125
Cluj	4.3	1127	4.5	1161	41.6	1391
Calarasi	0.6	36	0.7	59	1.9	72
Caras Severin	23.9	74	24.4	80	27.0	100
Constanta	9.8	1059	11.3	1439	28.2	2084
Covasna	1.6	59	4.8	64	9.9	86
Dimbovita	1.7	79	2.1	138	4.2	159
Dolj	1.1	311	1.7	415	160.6	457
Gorj	0.2	41	0.3	57	1.0	85
Galati	1.5	155	9.4	216	19.3	306
Giurgiu	1.8	38	2.5	61	5.5	78
Hunedoara	15.3	112	15.5	189	31.5	275
Harghita	5.4	252	6.1	343	14.2	399
Ilfov	1.2	127	1.3	179	5.4	279
Ialomita	0.1	34	1.1	60	4.2	82
Iasi	14.3	258	16.0	319	39.7	752
Mehedinti	0.3	69	0.4	106	0.8	111
Maramures	1.0	161	3.5	169	9.3	203
Mures	1.0	321	1.4	383	5.5	419
Neamt	0.5	83	2.8	131	4.7	144
Olt	0.2	45	0.2	77	0.8	94
Prahova	2.0	323	2.4	509	14.8	610
Sibiu	2.9	286	4.2	360	13.9	565
Salaj	0.2	51	26.6	82	53.3	91
Satu Mare	0.6	141	1.2	189	2.9	230
Suceava	2.2	98	2.6	120	10.6	208
Tulcea	1.9	45	2.3	72	4.8	84
Timis	23.6	1010	21.9	1270	76.2	1689
Teleorman	0.0	28	0.2	38	0.5	48
Vilcea	14.7	60	14.9	92	30.0	102
Vrancea	1.3	60	1.5	83	5.7	96
Vaslui	0.3	36	0.5	44	3.9	63
Unknown	80.7	104	74.4	74	75.6	68
TOTAL	537.6	20679	755.0	29020	1982.2	38066

Note: **Data refer to registered FIEs and the foreign component of their statutory capitals. Figures may not add to totals due to rounding.**
Source: **UN/ECE Secretariat - Romanian Development Agency.**

respectively, with each accounting for 15 per cent of total foreign capital commitments. Therefore, by both measures, the number of FIEs and their capital commitments, foreign investment-related activities tended to congregate in trade intermediation and services, while the production of goods seems to have been less successful in attracting foreign investors' interest.

Within manufacturing, food and "light" industries (non-food consumer goods) tended to attract foreign investors the most. Along with the other lines of activity, about 54 and 46 per cent of FI enterprises engaged in those sectors, accounting for 33 and 18 per cent of total foreign capital, respectively. A smaller number of FIEs operated in the engineering branches of manufacturing: about 20-22 per cent were involved in the electronic and electrotechnical industries and almost 12 per cent produced non-electrical machinery. Foreign investment shares were about 22-24 per cent for the former two industries and 27 per cent for the latter.

During 1994, in terms of overall capital commitments, FIEs tended to focus even more on trade intermediation activities, particularly on foreign trade and transport. At the same time, more emphasis was placed on the engineering branches of manufacturing and construction, while the weights of other industries either remained stable or decreased.

Geographical location

In geographical terms, during the last three years the distribution of foreign investment has been relatively stable. At the beginning of 1995, the bulk of foreign capital commitments were concentrated in the Bucharest municipality (52 per cent), and the region's share was even higher in terms of the number of enterprises - 61 per cent (see Table 7 and Chart 8). To a lesser extent, counties of the north-west, Bihor (5 per cent) and Salaj (3 per cent), and the west, Timis (about 4 per cent), also attracted foreign investors. While these regions have remained the poles of FI activities since the beginning of 1990s, the county of Caras Severin (west) and the coastal city of Constanta (south-east) dropped out of the ranking of major locations. In terms of numbers, however, the weight of the latter remained important, at about 6 per cent. At the same time, a new pole of foreign investment attraction has emerged in the south of the country. At the end of 1994, Dolj county accounted for 8 per cent of accumulated foreign capital commitments, compared with less than one per cent two years ago.

Taken together, the five top-ranking locations (Bucharest, Dolj, Bihor, Timis and Salaj) have attracted to date as much as 72 per cent of total foreign investment in Romania.

NEWS ROUND-UP

1. Recent and forthcoming meetings

* The *Fourth Annual Meeting of the European Bank for Reconstruction and Development (EBRD)*, held at the Barbican Centre in London, U.K., 8-11 April 1995, attracted over 5,000 participants drawn from a wide circle of private and public agencies as well as top officials from the financial sector of EBRD member countries.

The Annual Session had a dual purpose: first of all, it gave delegates and shareholders a chance to assess the measures which the bank has taken to facilitate reform in the transition economies. Secondly, the Annual Session offered a meeting place where businessmen, consultants and bankers could learn of business opportunities arising in the countries where the bank operates.[1] This gathering of information took place at the individual country presentations and also less formally in the offices that the EBRD conference organizers provided to each country's delegation.

Opening statements by the U.K. Prime Minister, Mr. John Major, and by the President of the EBRD, Mr. Jacques de Larosière

Delegates were welcomed by the *U.K. Prime Minster, Mr. John Major* who reiterated his country's support for the EBRD and its commitment to its future. He said that Governments had an important role in helping the Bank perform its duties by ensuring that no dividing lines are ever again drawn across any part of the Continent and by opening their markets to trade. In this latter respect he mentioned the particular responsibility of western governments to open their markets to east European goods. He ended by paying tribute to the Bank's President, Mr. de Larosière, for his role in transforming the Bank, improving its efficiency by cutting costs and supporting the private sector in transition economies.

Mr. Jacques de Larosière, President of the EBRD, began his opening statement by highlighting the Bank's achievements over the past year. These achievements consisted in the following:

- during 1994 the Bank signed 91 projects for a total value of ECU 1.9 billion;
- 73 per cent of the funds committed in 1994 were for the private sector, which meant that for the first time the Bank had achieved and exceeded its statutory 60:40 portfolio ratio objective;
- the expansion of the Bank's operations with local financial intermediaries (over the last year this activity represented 42 per cent of overall signed commitments);
- equity investments increased considerably and accounted for over 18 per cent of the Bank's cumulative portfolio by the end of 1994;
- infrastructure investments, a key priority of the Bank, represented 35 per cent of its portfolio;
- the Bank had expanded its operations to a larger number of countries, many of whom would have had little possibility of contact with western banking institutions without EBRD support;
- the Bank made an operational profit of ECU 24.9 million and a net profit after provisions of ECU 1 million.

These successes, he argued, demonstrated that the priorities agreed upon last year had been successfully implemented in 1994.

The Bank's President, in looking to the future, outlined the actions that the Bank will undertake in order to better fulfill its mandate:

- tailor its operations to the needs of each individual country;
- develop new financial tools;
- focus on those countries where the needs are greatest and where the Bank can make the most impact, i.e. countries in the earlier stages of transition should receive greater support particularly in developing their infrastructures.

Position of the transition economies at the Annual Conference

In their statements to the plenary, the representatives from the transition economies were highly supportive of the EBRD's work. They highlighted the role of the Bank in their own countries and its contribution to their transition programmes.

Some of the transition economies also individually made separate proposals on the orientation of the EBRD's future activities, including for example:

- strengthen EBRD's local presence particularly to deal with private small- and medium-sized enterprises (SMEs) (Slovenia);
- the Bank's commitment should be to those countries making a real effort at reform, and should focus on infrastructure-related projects and on granting individual loans on preferential terms (Kyrgyzstan);
- the number of projects supporting SMEs and developing the financial infrastructure should be increased (Slovak Republic).

1. The EBRD's countries of operation are: Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Former Yugoslav Republic of Macedonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovak Republic, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

Concluding statement

In his final statement to the Annual Session, Mr. de Larosière noted the widespread recognition, both formally in the plenary sessions and informally, of the positive progress which was occurring in the region. He emphasized the role of the EBRD in responding to the specific needs of individual countries, in financing projects which other financial institutions would not, in acting as a catalyst for mobilizing financial resources, in covering more countries and in supporting projects with a high transition impact.

He concluded by identifying the future areas in which the Bank would be focusing: the financial sector, local financial intermediaries; greater provision of equity, SMEs, infrastructure, trade and nuclear safety. He said that the Governors had also stressed the importance of lowering trade barriers and that the Bank would assist in this goal by providing trade finance.

Further Information

To obtain further information on the proceedings, including documentation on the Country Presentations, interested readers should contact:

Ms. June Hutchinson
Conference Planning Unit
Office of the Secretary General
European Bank for Reconstruction and Development
One Exchange Square
GB-London EC2A 2EH
United Kingdom
Tel.: + (44 171) 338-6087
Fax: + (44 171) 338-7320

During the weekend of the Annual Session of the EBRD, the following seminars took place:

1. The importance of securities markets in providing capital to central and eastern Europe;
2. Regulation of capital markets and collective investment vehicles in the Bank's countries of operation;
3. Investing in central and eastern Europe: case studies.

Videos of these seminars may be purchased for GB£ 105 each from:

Ms. Beth Edwards
Zunz Productions
3, Kimber Road
GB-London SW18 4NR
United Kingdom
Tel.: + (44 181) 874 9277 or 871 3774
Fax: + (44 181) 874-6623

* The *Seminar on Promoting the Expansion of Trade of the Countries in Transition : an Important Factor of their Integration with the European and Global Economy*, was held in Geneva, Switzerland, 30 March 1995. Organized by the United Nations Economic Commission for Europe, the seminar was devoted to foreign trade problems in the Newly Independent States of the former Soviet Union. The representatives of two Baltic States (Estonia, Lithuania) and eight of the CIS member States (Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Uzbekistan) took part in the meeting. The background paper, prepared for the seminar by the ECE secretariat, addressed ways and means of developing foreign trade in the transition economies. The study made specific reference to internal and external trade barriers, export promotion and enterprise competitiveness problems, the impact of the conclusion of the Uruguay round negotiations on inter-regional trade, and different aspects of access to both western and eastern markets.

Speakers from the CIS and Baltic States provided information on foreign trade developments in their representative countries and exchanged their views and experiences in building trade promotion institutions, improving their payments systems and in liberalizing trade.

Further information on the seminar is available from the UN/ECE secretariat at the following address:

United Nations Economic Commission for Europe
Palais des Nations
CH-1211 Geneva 10
Switzerland
Tel.: + (41 22) 917 58 26
Fax: + (41 22) 917 00 36

* The *Advisory Workshop on Industrial Restructuring for Selected Economies in Transition* will be held at the Palais des Nations, in Geneva, Switzerland, 8-9 June 1995. Organized with the financial support of the European Commission, the workshop aims to share foreign expertise and know-how with high-level policy makers from transition economies responsible for industrial strategy development and industrial restructuring. It is expected that 20 to 25 such policy makers will attend.

The proceedings will focus on strategic planning for industrial restructuring, the comparative analysis of individual member States' experiences, and the criteria for private investment in the region. Speakers from advanced industrialized countries will outline industrial policy trends in the OECD countries and the European Union, and describe the different methods and objectives of industrial restructuring. Special reports will describe developments in the chemical, steel, automation and engineering industries, and in the fields of science and technology and standardization policies. A case study will be presented on the experience of the Czech Republic and a special presentation will be made on the role of SMEs including recommendations on how to promote SMEs in transition economies.

For more information, contact:

Industry and Technology Division
United Nations Economic Commission for Europe
Palais des Nations
CH-1211 Geneva 10
Switzerland
Tel.: + (41 22) 917 24 71
Fax: + (41 22) 912 01 78

* The *Workshop on Economic Aspects of the Implementation of New Technologies in Small and Medium-Sized Enterprises*, will be held in Moscow, Russian Federation, 12-13 September 1995. The workshop is organized by the United Nations Economic Commission for Europe (UN/ECE) with the cooperation of the Russian Federation Ministry of Science and Technology. The workshop programme will include four sessions, the first of which will be devoted to examining the role and place of SMEs in economic reform, Government commitment and industrial and fiscal policy regarding SMEs. Session II will deal with the development of a SME support infrastructure (industrial restructuring, national and international SME support programmes, a legislative and financial framework, training). Session III will be confined to economic and technical issues, such as the introduction of new technologies, science and technology parks, credits and tax concessions, and investment potential. Session IV will cover aspects of international cooperation, including foreign trade, and the activities of different national and international agencies and SME promotion bodies.

More information may be obtained from:

Industry and Technology Division
United Nations Economic Commission for Europe
Palais des Nations
CH-1211 Geneva 10
Switzerland
Tel.: + (41 22) 917 35 28 or 917 32 69
Fax: + (41 22) 917 01 78

or:

National Organizing Committee for
the SME '95 Workshop
Russian Academy of State Service
Office of the President of the Russian Federation
Prospect Vernadskogo 84
RF-117606 Moscow
Russian Federation
Tel.: + (095) 436 9010
Fax: + (095) 434 7055

2. Recent Publications

* *Environmental Accounting for the Sustainable Corporation Strategies and Techniques*, D.B. Rubenstein, Greenwood Publishing Group, 1994.

This publication primarily addresses problems of environmental accounting in forestry management, but its conclusions and recommendations might also be of interest to those involved in the development of long-range environmental strategies in other sectors as well.

Its chapters contain studies on the problems of environmental accounting which analyze the limitations of traditional accounting methods and suggest a new methodology for a more complete calculation of the costs of using natural resources. The book also addresses waste minimization and the application of risk-management principles to costing natural capital.

* *The Estonian Economy and Foreign Trade*, Tallinn: Estonian Ministry of Foreign Affairs (1994), 35 pages. ISBN 9985-9016-0-6.

This booklet contains a synopsis of the Estonian economy and the country's foreign trade activities. It describes the current foreign trade regime, including import and export policies, taxes, and investment incentives. It also includes a comprehensive overview of the country's foreign trade policies in areas such as industry, agriculture, privatization and foreign exchange, and provides information on Estonia's economic and trade relations with the international community.

* *Lithuania: Partner in a World Economy*, Vilnius: Lithuanian Ministry of Foreign Affairs, Economic Relations Department (1994), 97 pages, ISBN 88-7153-457-3.

This publication presents an overview of Lithuanian politics, its economy and infrastructure, activities in foreign trade, banking and finance, and regulations in foreign investment, privatization and taxation. It also includes general travel information, and a complete list of the addresses and telephone numbers of diplomatic missions, state and local government agencies, chambers of commerce, hotels and other potentially useful entities.

* *The Estonian Securities Market*, The Exchange Association of Estonia.

This financial bulletin is published in Estonian and English and appears six times annually, once every two months. It regularly features highlights of the Estonian securities market and events relevant to local and foreign financial markets. The bulletin's goal is to publish information and statistics that accurately describe the current situation of the Estonian securities market, its recent trends and its future direction.

For subscription information, contact:

The Exchange Association of Estonia
Kuhlbarsi 1
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